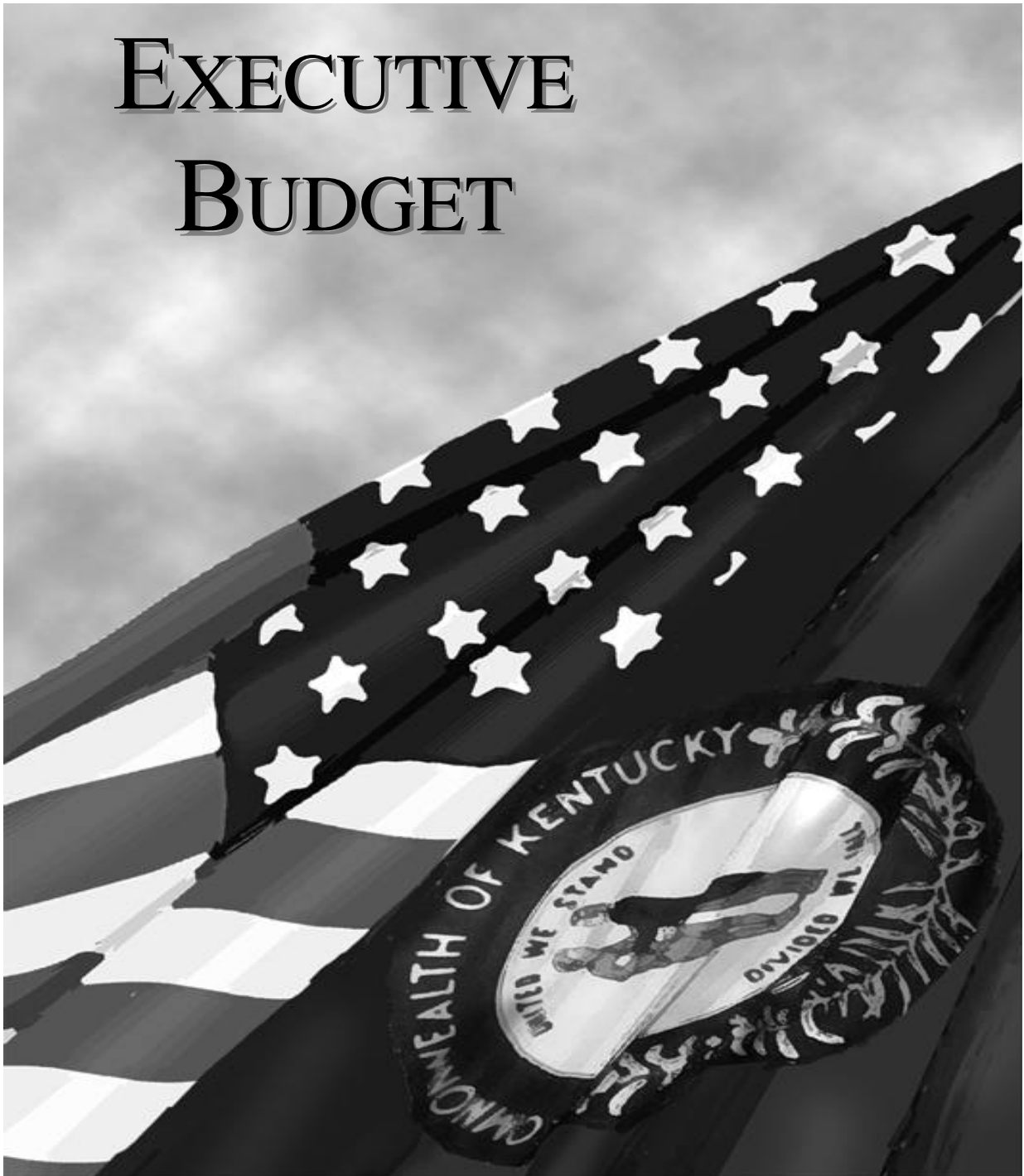


2002-2004

***Capital
Financing
Analysis***

**EXECUTIVE
BUDGET**



**PAUL E. PATTON
GOVERNOR**

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STATE BUDGET DIRECTOR**

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Assumptions

This analysis is premised on the following assumptions:

- FY2002-2004 General Fund revenues are based on the December 17, 2001 Official Revenue Estimates. Growth rates for FY2003 and FY2004 are projected using 1.0 elasticity.
- FY2002-2004 Road Fund revenues are based the December 17, 2001 Official Revenue Estimates. Growth rates for FY2003 and 2004 are projected using 0.8 elasticity.
- Agency Fund revenues are based on actual 2001 revenue from the supplement to the FY 2001 CAFR with no implied growth rate for FY2003 and FY2004.
- Tobacco Settlement Funds are included in the General Fund revenue.
- All remaining authorized but unissued debt is assumed to be issued by June 30, 2002 at the template rates except for SFCC debt that is authorized at 5.80%.
- Two percent (2%) Cost of Issuance.
- Where actual debt service is unknown, required debt service is estimated from amortization schedules using the debt service template rates.

Executive Summary

Governor Paul E. Patton proposes \$298 million in new debt-financed projects. The proposal for the 2002-2004 biennium is compared to previous biennia in Table 1 and is described in more detail in Appendix C.

The ***Capital Financing Analysis*** provides an overview of the structure of debt issuance in the Commonwealth. In addition, historical information about the status of the debt program is provided in the Appendices. This information is required pursuant to KRS 42.410.

Table 1
DEBT AUTHORIZED BY RECENT
SESSIONS OF THE
GENERAL ASSEMBLY

<u>Fiscal Year</u>	<u>Principal Debt Authorized</u>	<u>Fiscal Year</u>	<u>Principal Debt Authorized</u>
1980	\$ 689,312,400	1992	\$ 439,375,100
1982	534,024,000	1994 ¹	429,575,900
1984	535,929,000	1996 ²	313,575,000
1986	494,721,100	1998 ³	1,168,030,000
1988	364,171,900	2000 ⁴	1,046,727,600
1990	1,148,218,400	2002 ⁵	298,000,000

¹ This includes debt authorized in the 1995 Extraordinary Session of the General Assembly and debt authorized by the Surplus Expenditure Plan.

² Enacted in the 1996-98 Budget of the Commonwealth, and subsequent May 1997 Extraordinary Session of the Kentucky General Assembly. Includes all new authorized debt and all reauthorized debt for the 1996-1998 Biennium.

Reauthorized: \$69,393,000 General Fund and \$2,000,000 Agency Fund
New Authorization: \$103,796,000 General Fund and \$35,000,000 Agency Fund
May 1997 Extraordinary Session: Includes \$103,386,000 of Bond Funded Projects

Excludes the \$60,000,000 of Agency Bonds in the Finance Cabinet (KIA leveraging). Pursuant to KRS 56.870 (3), legislative authorization is required when revolving fund repayments are used to support bonds. This authorization was never acted upon or reauthorized.

³ Debt Enacted in the 1998-2000 Budget of the Commonwealth.

Reauthorized: \$74,102,000 General Fund and \$2,000,000 Agency Fund
New Authorizations: \$600,830,000 General Fund; \$268,100,000 Road Fund; and
\$96,100,000 Agency Fund
\$126,898,000 is authorized in the General Fund Surplus Expenditure Plan
\$201,000,000 is authorized for SFCC, however, debt service is appropriated for only
\$108,130,000 in FY 2000

⁴ Debt Enacted in the 2000-2002 Budget of the Commonwealth.

General Fund Authorization:	\$901,002,600
Road Fund Authorization:	\$ 28,200,000
Agency Fund Authorization:	\$117,525,000

The 2000 Session of the Kentucky General Assembly authorized \$1,053,015,600 of debt. The Secretary of Finance and Administration determined to fund \$6,288,000 of debt authorized projects with General Fund, thereby reducing the authorized debt to \$1,046,727,600.

⁵ New Debt Recommended in the 2002-2004 Executive Budget of the Commonwealth.

Debt Capacity Analysis

Purpose

This report provides a review of pertinent historical information about the Commonwealth's debt, debt management goals, and Governor Paul E. Patton's capital financing plan recommendation. The Governor's recommendation of authorized debt for new projects for FY2003 and FY2004 is evaluated against various measures of debt affordability and previous biennial authorizations.

The goals of the debt management program of the Commonwealth are:

1. Maintain debt at levels that eliminate questions concerning the state's willingness or ability to make timely payments on appropriation supported debt.
2. Issue debt only for those projects that will provide benefits equal to or longer than the amortization period of the debt.
3. Maintain or improve the state's current Aa3/AA-/AA- State Property and Buildings Commission debt rating.
4. Initiate reviews of debt management processes that are consistent with reviews by external entities such as rating agencies.
5. Establish and implement a program to manage the net interest expenses of the Commonwealth.
6. Use debt to finance projects prudently, without neglecting the capital investment needs of the state.
7. Continually strive to reduce the expense of debt through ongoing management of outstanding debt and analysis of low-cost alternatives.
8. Use tax-exempt rather than taxable funding sources for project financing whenever possible to minimize overall governmental operating costs.

These goals continue to be important to the assessment by outside entities of the use of debt by the Commonwealth and provide an appropriate backdrop for any discussion about long-term capital expenditures.

Structure

The Commonwealth's indebtedness is classified as either appropriation supported or non-appropriation supported debt.

Appropriation supported debt carries the name of the Commonwealth and is either (i) a general obligation of the state, or (ii) a project revenue obligation of one of the debt-issuing agencies created by the Kentucky General Assembly to finance various projects and is subject to state appropriations for all or a portion of the debt service on the bonds.

General obligation bonds pledge the full faith, credit and taxing power of the Commonwealth for the repayment of debt. The Kentucky Constitution requires voter approval by general referendum prior to the issuance of general obligation bonds in amounts exceeding \$500,000. Kentucky has not issued general obligation bonds since 1966. The Commonwealth currently has no general obligation bonds outstanding.

Project revenue bonds are issued by various debt-issuing authorities of the Commonwealth (Chart 1). These bonds pledge, as security for repayment of the debt, the revenues produced by the projects funded by the debt. Project revenue bonds are not a direct obligation of the Commonwealth. Project revenue bonds are, in some cases, derived partially or solely from biennial appropriations of the General Assembly. In other cases, the direct revenues generated from the project funded constitute the entire source of payment.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other entities within the state. The bonds are special obligations of the issuer, secured and payable solely from the sources pledged for the payment thereof and do not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth. The General Assembly does not intend to appropriate any funds to fulfill the financial obligations represented by these types of bonds. In the event of a shortfall, the issuer covenants to request from the Governor and the General Assembly sufficient amounts to pay debt service.

Definitions

Total debt service is defined as all debt service appropriated by the General Assembly. This includes debt service on all bond issues of the State Property and Buildings Commission, fixed rate notes of the Kentucky Asset/Liability Commission, state universities (consolidated educational buildings revenue bonds, hospital revenue bonds, community college revenue bonds, and housing and dining system revenue bonds), the Turnpike Authority of Kentucky, and the state appropriation-supported portion of both the School Facilities Construction Commission and the Kentucky Infrastructure Authority.

Chart 1
ACTIVE DEBT ISSUING ENTITIES

<u>ENTITY</u>	<u>STATUTORY AUTHORITY/ PURPOSE</u>	<u>DEBT LIMITATIONS</u>	<u>MOODY'S/S & P/Fitch</u>
State Property and Buildings Commission	KRS 56.450 Provide financing for capital construction projects and financing programs approved by the General Assembly.	Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly.	Aa3/AA-/AA-
Kentucky Asset/Liability Commission	KRS 56.860 Provide for short-term financing of capital projects and the management of cash borrowings.	Cannot incur debt without prior approval of projects and appropriation of debt service by the General Assembly.	Varies
Turnpike Authority of Kentucky	KRS 175.410-175.990 Construct, maintain, repair and operate Turnpike projects, resource recovery roads, and economic development roads.	Cannot incur debt without prior approval of projects and appropriations of debt service by the General Assembly.	Aa3/AA-/AA-
The State Universities	KRS 56.495 Construct educational buildings and housing and dining facilities.	Cannot incur debt without prior approval of projects and appropriations of debt service by the General Assembly.	Varies
Kentucky Housing Corporation	KRS 198A Make low interest mortgage construction loans to increase the supply of housing for low and moderate income residents of the state.	Limited to \$2.5 billion of debt outstanding.	Aaa/AAA
Kentucky Infrastructure Authority	KRS 224A Provide financial assistance to local governments for the construction or refinancing of infrastructure facilities and to provide loans to industries for construction of pollution control facilities.	Revolving Fund programs cannot incur debt without appropriation of debt service by the General Assembly. Without legislative approval, other programs limited to \$60 and \$125 million of debt outstanding; for maturities under and over 3 years respectively.	Aa3/AA-/AA-
Kentucky Higher Education Student Loan Corporation	KRS 164A Make guaranteed student loans to residents of the state to attend post-secondary institutions and to make loans to students attending post-secondary schools within the state.	Limited to \$950 million of debt outstanding.	Aaa/AA-
School Facilities Construction Commission	KRS 157.800-157.895 Assist local school districts with the financing and construction of school buildings. Finance the construction of vocational education facilities.	Cannot incur debt without appropriation of debt service by General Assembly.	Aa3/A+/A
Kentucky Economic Development Finance Authority	KRS 154 Issue industrial revenue bonds on behalf of industries, hospitals, and commercial enterprises in the state. Provide low interest loans to developing businesses. Provide financing and tax credits to manufacturing entities expanding or locating facilities in the state.	None	Varies
Kentucky Local Correctional Facilities Construction Authority	KRS 441.605-441.695 Provide an alternative method of constructing, improving, repairing, and financing local jails.	Limited to the level of debt service supported by court fees pledged as repayment for the bonds.	AAA
Kentucky Agricultural Finance Corporation	KRS 247.940 Provide low interest loans to Kentucky farmers for the purpose of stimulating existing agricultural enterprises and the promotion of new agricultural ventures.	Limited to \$500 million of debt outstanding.	N/A

*Ratings, where applicable, include Moody's, Standard & Poors, and Fitch.

Revenue is defined to include the General Fund, Road Fund, and Agency Fund and is reported on an actual cash (budgetary) basis. Although the state adopted a modified accrual basis of accounting in 1983, the use of the cash basis allows for an analysis of debt for a longer time period. Revenues for the General Fund and Road Fund for FY2001 are actual and those for FY2002 through FY2004 are based upon the December 17, 2001 Revenue Estimates. Agency Fund estimates are based upon actual results for FY2001 and are held constant for the time frame of this analysis. Historical revenue figures and debt service levels were obtained from the ***Kentucky Comprehensive Annual Financial Report*** and the supplemental reports for the various years.

Debt capacity is the total amount of new asset bonds that can be supported by a calculated amount of state appropriations (assuming a 20-year long-term tax-exempt interest rate of 7.25 percent or other applicable rates). Asset bonds equate to project costs plus cost of issuance. It assumes no debt service reserves, except in the case of university bonds, where asset bonds include debt service reserves.

Historical Information

Table 2 shows the historical comparison of debt outstanding in current and constant dollars.

Table 3 shows the comparison of debt outstanding and required debt service as a percent of assessed property, personal income, and on a per capita basis.

Table 4 provides the historical comparison of total appropriation required debt service as a percentage of total revenue. This is the key indicator of debt health for the Commonwealth and is used to assess the impact of any capital program.

Table 5 provides an update of Table 4 to include Governor Paul E. Patton's proposed debt financed projects.

Table 2
APPROPRIATION SUPPORTED DEBT
PRINCIPAL DEBT OUTSTANDING
(000,000)

<u>Fiscal</u> <u>Year</u>	<u>Current</u>	<u>Percent</u> <u>Change</u>	<u>CPI</u> <u>Constant</u> <u>Dollar</u> <u>Adjustment</u>	<u>Constant</u> <u>(1984)</u>	<u>Percent</u> <u>Change</u>
1984	2,100.72	17.90	1.0181	2,063.37	13.68
1985	2,098.89	-0.09	1.0580	1,983.83	-3.86
1986	2,197.98	4.72	1.0888	2,018.72	1.76
1987	2,627.29	19.53	1.1131	2,360.34	16.92
1988	2,771.07	5.47	1.1593	2,390.30	1.27
1989	2,726.69	-1.60	1.2123	2,249.19	-5.90
1990	2,736.18	0.35	1.2703	2,153.96	-4.23
1991	3,253.56	18.91	1.3401	2,427.85	12.72
1992	3,537.60	8.73	1.3828	2,558.29	5.37
1993	3,837.65	8.48	1.4259	2,691.39	5.20
1994	3,785.78	-1.35	1.4633	2,587.15	-3.87
1995	3,809.20	0.62	1.5051	2,530.86	-2.18
1996	3,775.38	-0.89	1.5463	2,441.56	-3.53
1997	3,557.74	-5.76	1.5902	2,237.29	-8.37
1998	3,433.34	-3.50	1.6187	2,121.05	-5.20
1999	3,589.95	4.56	1.6463	2,180.62	2.81
2000	3,556.97	-0.92	1.6938	2,099.99	-3.70
2001	3,966.22	11.51	1.7519	2,263.95	7.81
2002 ¹	4,385.94	10.58	1.7905	2,499.56	8.20
2003	4,037.78	-7.94	1.8273	2,209.70	-9.79
2004 ²	3,681.02	-8.84	1.8740	1,964.26	-11.11

¹ Assumes all previously authorized debt will be issued by June 30, 2002.

² Assumes no additional debt authorization for the 2002-2004 Biennium.

Table 3
APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS
(Current Dollars)

Fiscal Year	Debt as a % of Assessed Property	Required Debt Service as a % of of Assessed Property	Debt as a % of Personal Income	Required Debt Service as a % of Personal Income	Debt Per Capita (\$)	Required Debt Service Per Capita (\$)
1978	2.83	0.21	7.44	0.56	494.01	37.15
1979	2.83	0.19	7.46	0.50	550.26	36.97
1980	2.57	0.19	7.19	0.53	577.58	42.83
1981	2.32	0.18	6.54	0.51	580.30	45.19
1982	1.70	0.17	4.97	0.50	463.46	46.57
1983	1.66	0.17	5.06	0.53	485.76	50.41
1984	1.84	0.18	5.47	0.52	572.40	54.77
1985	1.69	0.19	5.03	0.56	571.44	63.68
1986	1.66	0.19	5.09	0.57	598.09	67.31
1987	1.85	0.17	5.84	0.55	714.33	67.27
1988	1.78	0.18	5.79	0.58	753.01	75.46
1989	1.68	0.18	5.28	0.57	741.55	79.38
1990	1.51	0.17	4.95	0.55	740.99	82.44
1991	1.68	0.16	5.56	0.54	875.79	84.70
1992	1.71	0.19	5.63	0.63	941.76	105.00
1993	1.76	0.18	5.79	0.60	1,011.96	104.10
1994	1.69	0.18	5.48	0.57	990.21	103.57
1995	1.57	0.17	5.25	0.58	988.05	110.15
1996	1.47	0.17	4.98	0.57	972.78	112.27
1997	1.40	0.18	4.41	0.57	910.42	117.60
1998	1.46	0.19	4.02	0.54	873.11	116.33
1999	1.41	0.18	4.00	0.51	906.37	116.16
2000	1.33	0.21	3.78	0.59	880.05	137.68
2001	1.44	0.20	3.96	0.55	974.88	135.96
2002*	1.56	0.20	4.26	0.54	1,070.97	136.73
2003*	1.42	0.21	3.77	0.56	980.67	146.74
2004*	1.26	0.20	3.25	0.52	889.51	143.09

*Estimated

Table 4
APPROPRIATION SUPPORTED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE
(000,000)

Fiscal Year	Total Revenue (\$)	Total Debt Service (\$)	Appropriation Required Debt Service/ Revenue (%)
1967	612.16	49.18	8.03
1968	745.01	54.67	7.34
1969	932.33	67.01	7.19
1970	925.39	74.57	8.06
1971	1,055.46	73.36	6.95
1972	1,235.47	85.15	6.89
1973	1,349.80	91.18	6.75
1974	1,482.62	101.04	6.82
1975	1,733.88	117.18	6.76
1976	1,852.92	117.05	6.32
1977	1,995.62	117.57	5.89
1978	2,328.35	134.28	5.77
1979	2,732.90	134.77	4.93
1980	2,895.18	156.75	5.41
1981	3,099.47	165.54	5.34
1982	3,242.64	170.67	5.26
1983	3,452.40	184.89	5.36
1984	3,738.28	201.02	5.38
1985	3,959.25	233.91	5.91
1986	4,248.04	247.38	5.82
1987	4,933.93	247.42	5.01
1988	5,134.52	277.69	5.41
1989	5,407.11	291.89	5.40
1990	5,814.85	304.43	5.24
1991	6,143.23	314.66	5.12
1992	6,419.98	394.44	6.14
1993	6,578.18	394.76	6.00
1994	6,800.82	395.95	5.82
1995	7,554.79	424.65	5.62
1996	7,759.59	435.72	5.62
1997	8,188.75	459.56	5.61
1998	8,675.10	457.44	5.27
1999	9,123.43	460.08	5.04
2000	9,569.31	556.47	5.82
2001	9,920.68	553.15	5.58
2002	10,028.78 ¹	559.94 ²	5.58
2003	10,257.88 ¹	604.17 ²	5.89
2004	10,556.78 ¹	592.16 ²	5.61

¹Estimated.

²Assumes all authorized debt will be issued by June 30, 2002.

Table 5
**INCREASED DEBT SERVICE/
REVENUE RATIOS**

<u>Fiscal Year</u>	<u>No New Debt</u>	<u>\$298,000,000 of New Authorization</u>
1980	5.41%	
1981	5.34	
1982	5.26	
1983	5.36	
1984	5.38	
1985	5.91	
1986	5.82	
1987	5.01	
1988	5.41	
1989	5.40	
1990	5.24	
1991	5.12	
1992	6.14	
1993	6.00	
1994	5.82	
1995	5.62	
1996	5.62	
1997	5.61	
1998	5.27	
1999	5.04	
2000	5.82	
2001	5.58	
2002	5.58	
2003	5.89	5.89
2004	5.61	5.90

Appendix A – Economic Indicators

The following data reflect Kentucky's debt and debt service in comparison with various economic indicators or measures of wealth. Appropriation supported debt and three categories of debt service are presented in terms of the economic variables of assessed property values, personal income and population.

Tables A-1, A-2 and A-3 show the annual debt and debt service in three different categories: required, appropriated and actual. "Required debt service" is the debt service that is actually due to the bondholders regardless of source of revenue. Debt service may be paid from interest earnings on the debt service reserve funds as well as by direct appropriations or projected revenues. The "required debt service" category is the most accurate reflection of the Commonwealth's liability.

"Appropriated debt service" reflects those funds that were appropriated in the various budgets for debt service. In many cases, these figures are estimated in advance of debt being issued or refinanced. These figures are neither an accurate nor consistent reflection of the Commonwealth's debt liability and are presented pursuant to KRS 42.410.

"Actual debt service" reflects those funds that flowed through the Debt Service Fund within the state's accounting system. These figures include not only debt service but also proceeds from refundings, costs of issuance and accrued interest on newly issued bonds, rebate and arbitrage penalty payments and trustee fees. These data are not an accurate reflection of the Commonwealth's debt liability, but are being presented pursuant to KRS 42.410.

Table A-4 reflects Kentucky's non-appropriation supported debt in relation to the economic variables of assessed property value, personal income and population. Non-appropriation supported debt is the debt of those authorities for which appropriation of state funds is not used to pay the debt service. The authorities include the Kentucky Higher Education Student Loan Corporation, Kentucky Housing Corporation, certain debt of the Kentucky Infrastructure Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation and Kentucky Economic Development Finance Authority (formerly Kentucky Development Finance Authority). The total debt and debt service shows a significant decrease in FY93 due to a change in reporting methodology. Project revenue debt is included for only the Kentucky Development Finance Authority (KDFA) Yen bonds issued in 1987 and debt of the Kentucky Local Correctional Facilities Construction Authority. The industrial development bonds ("IDBs") of KDFA, the Kentucky Infrastructure Authority and the Kentucky Agricultural Finance Corporation are no longer included in the Comprehensive Annual Financial Report.

Table A-1
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF ASSESSED PROPERTY
(Current Dollars)

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Required Debt Service as a % of Assessed Property</u>	<u>Appropriated Debt Service as a % of Assessed Property</u>	<u>Actual Debt Service as a % of Assessed Property</u>
1990	1.51	0.17	0.17	0.16
1991	1.68	0.16	0.19	0.16
1992	1.71	0.19	0.21	0.15
1993	1.76	0.18	0.18	0.17
1994	1.69	0.18	0.19	0.20
1995	1.57	0.17	0.17	0.16
1996	1.47	0.17	0.17	0.18
1997	1.40	0.18	0.18	0.18
1998	1.46	0.19	0.19	0.16
1999	1.41	0.18	0.18	0.18
2000	1.33	0.21	0.16	0.19
2001	1.44	0.20	0.15	0.17

Table A-2
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF PERSONAL INCOME
(Current Dollars)

<u>Fiscal Year</u>	<u>Debt as a % of Personal Income</u>	<u>Debt Service as a % of Personal Income</u>	<u>Appropriated Debt Service as a % of Personal Income</u>	<u>Actual Debt Service % of Personal Income</u>
1990	4.95	0.55	0.56	0.50
1991	5.56	0.54	0.63	0.57
1992	5.63	0.63	0.69	0.66
1993	5.79	0.60	0.59	0.52
1994	5.48	0.57	0.63	0.57
1995	5.25	0.58	0.56	0.60
1996	4.98	0.57	0.57	0.56
1997	4.41	0.57	0.57	0.57
1998	4.02	0.54	0.54	0.52
1999	4.00	0.51	0.51	0.49
2000	3.78	0.59	0.44	0.44
2001	3.96	0.55	0.42	0.42

Table A-3
APPROPRIATION SUPPORTED DEBT AND DEBT SERVICE
AS A PERCENT OF POPULATION
(Current Dollars)

<u>Year</u>	<u>Debt Per Capita (\$)</u>	<u>Required Debt Service Per Capita (\$)</u>	<u>Appropriated Debt Service Per Capita (\$)</u>	<u>Actual Debt Service Per Capita (\$)</u>
1990	740.99	82.44	84.58	74.67
1991	875.79	84.70	99.38	90.04
1992	941.76	105.00	116.12	110.07
1993	1,011.96	104.10	103.89	91.62
1994	990.21	103.57	114.06	103.64
1995	988.05	110.15	105.98	112.75
1996	972.78	112.27	110.82	108.66
1997	910.42	117.60	117.60	116.98
1998	873.11	116.33	116.33	112.70
1999	906.37	116.16	116.16	110.47
2000	880.05	137.68	103.48	103.48
2001	974.88	135.96	104.51	104.51

Table A-4
NON-APPROPRIATION SUPPORTED DEBT
KENTUCKY ECONOMIC DEBT INDICATORS

<u>Fiscal Year</u>	<u>Debt as a % of Assessed Property</u>	<u>Debt as a % of Personal Income</u>	<u>Debt Per Capita Debt (\$)</u>
1990	1.22	4.02	601.65
1991	1.29	4.28	674.63
1992	1.21	4.00	669.27
1993	0.64	2.10	367.42
1994	0.57	1.86	335.82
1995	0.54	1.82	342.11
1996	0.54	1.81	354.67
1997	0.61	1.93	398.02
1998	0.66	1.83	396.83
1999	0.65	1.85	419.44
2000	0.66	1.83	396.83
2001	0.65	1.85	419.44

Appendix B: Fiscal Debt Indicators

In the following table, total appropriated revenue is shown in terms of the three categories of debt service as described in Appendix A. Appropriated revenue is the revenue of the General Fund, Road Fund and Agency Fund. Table B-1 compares required appropriated and actual debt service to total revenue.

Table B-2 reflects the three categories of debt service in terms of “available appropriated revenues.” This form of revenue is revenue from the same sources as described above less funds that are statutorily dedicated to a specific purpose. In the case of the General Fund: Base Court Revenue, Surface Mining County Acreage and Permit Fees, Local Government Economic Assistance Fund and Public Service Commission Administrative Assessments are subtracted to the degree the expenditures can be identified in the Comprehensive Annual Financial Report. In the case of the Road Fund (Table B-3), the following receipts are subtracted: County Road Aid, Rural Secondary Road Aid, Municipal Road Aid within the Motor Fuels Normal and Motor Fuels Normal Use accounts, Kentucky Transportation Center Funds, Coal Haul Cooperative Agreements, Extended Weight and Coal Haul Fines, Drivers Education Program and Drivers License Photo Program.

The Agency Fund receipts include those agency funds that are actually applied to debt service. These include primarily the debt service for university housing and dining and hospital issues. In addition certain bonds of the Capital Plaza Authority, the former Human Resources Cabinet (SPBC Project 31), and the Kentucky State Fair Board are included.

Table B-1
APPROPRIATED DEBT SERVICE
AS A PERCENT OF TOTAL REVENUE
(Budget Basis)

Fiscal Year	Total Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
1990	5,814.85	5.24	5.37	4.74
1991	6,143.23	5.12	6.01	5.44
1992	6,419.98	6.14	6.79	6.44
1993	6,578.18	6.00	5.99	5.28
1994	6,800.82	5.82	6.41	5.83
1995	7,554.79	5.62	5.41	5.75
1996	7,759.59	5.62	5.54	5.43
1997	8,188.75	5.61	5.61	5.58
1998	8,675.10	5.27	5.27	5.11
1999	9,123.43	5.04	5.04	4.80
2000	9,569.31	5.82	5.81	4.37
2001	9,920.68	5.58	5.57	4.29

Table B-2
APPROPRIATED DEBT SERVICE
AS A PERCENT OF AVAILABLE REVENUE
(Budget Basis)

Fiscal Year	Total Revenue (\$Millions)	Required Debt Service/ Revenue (%)	Appropriated Debt Service/ Revenue (%)	Actual Debt Service/ Revenue (%)
1987	3,363.50	7.36	7.45	7.67
1988	3,484.01	7.97	7.83	6.97
1989	3,831.16	7.62	6.78	6.94
1990	4,143.64	7.35	7.54	6.65
1991	4,889.69	6.44	7.55	6.84
1992	4,956.73	7.96	8.80	8.34
1993	5,131.53	7.69	7.68	6.77
1994	5,298.89	7.47	8.23	7.48
1995	5,837.56	7.27	7.00	7.45
1996	6,063.35	7.19	7.09	6.96
1997	6,400.18	7.18	7.18	7.14
1998	6,800.88	6.73	6.73	6.52
1999	7,029.55	6.54	6.54	6.22
2000	7,463.36	7.46	7.46	5.60
2001	7,573.54	7.30	7.30	5.61

**Table B-3
ROAD FUND DEBT SERVICE
AS A PERCENT OF REVENUE
(000,000)**

<u>Fiscal Year</u>	<u>Available Road Fund Revenue</u>	<u>Debt Service</u>	<u>Debt Service as a Percent of Available Revenue</u>
1980	\$ 557.63	\$ 104.59	18.76%
1981	543.79	112.97	20.77
1982	514.40	112.50	21.87
1983	526.85	113.97	21.63
1984	574.20	112.89	19.66
1985	399.62	137.14	34.32
1986	401.98	134.90	33.56
1987	510.23	130.03	25.48
1988	469.32	134.67	28.69
1989	556.90	126.13	22.65
1990	581.46	129.11	22.20
1991	597.15	163.70	27.41
1992	616.06	156.44	25.39
1993	640.67	147.46	23.02
1994	680.46	151.60	22.28
1995	710.64	145.69	20.50
1996	748.09	155.37	20.77
1997	763.14	160.58	21.04
1998	811.04	153.66	18.95
1999	839.58	154.37	18.39
2000	876.19	174.65	19.93
2001	847.67	153.81	18.14
2002*	877.41	175.16	19.96
2003*	888.93	178.13	20.04
2004*	917.66	171.95	18.74

* Estimated based on the December 17, 2001 official estimates for the Road Fund less proportional revenue sharing and dedicated funds. These estimates are based on debt issued as of 1/11/2002.

All previously authorized Road Fund debt is issued.

Appendix C: New Debt Authorized

<i>Cabinet/Agency</i>	<i>Project Title</i>	<i>Project/Pool Authorization</i>	<i>Cabinet/Agency Totals</i>
<u>GENERAL GOV'T</u>			
KIA	Waste Water Revolving Loan Fund A	\$ 6,200,000	
KIA	Drinking Water Revolving Loan Fund F	5,000,000	\$ 11,200,000
<u>POSTSECONDARY ED</u>			
CPE	Research Challenge Trust Fund Endowment Match	\$100,000,000	
CPE	Regional University Excellence Trust Fund - Endowment Match	20,000,000	
CPE	Agency Bond Pool	66,800,000	\$186,800,000
SFCC	Offers of Assistance		\$100,000,000
GRAND TOTAL			\$298,000,000

Appendix D: University Rating Agency Information

	<u>MOODY'S</u>	<u>STANDARD & POOR'S</u>
CONSOLIDATED EDUCATION		
Eastern Kentucky University	A3	A
Kentucky State University	A3	NR
Morehead State University	A2	A
Murray State University	A3	A
Northern Kentucky University	A3	A-
University of Kentucky	Aa3	AA-
University of Louisville	A1	AA-
Western Kentucky University	A3	A-
HOUSING AND DINING		
Eastern Kentucky University	A3	BBB+
Kentucky State University	Baa1	NR
Morehead State University	A3	BBB+
Murray State University	NR	BBB+
Northern Kentucky University	Baa1	NR
University of Kentucky	A1	NR
University of Louisville	A1	NR
Western Kentucky University	Baa2	BBB+
COMMUNITY COLLEGE		
University of Kentucky	A2	A
HOSPITAL		
University of Kentucky	Aa	AA-

Legend: NR-Not Rated per Rating Agency